

IRS GIVES TAXPAYERS A CHOICE ON FEDERAL PER DIEM RATE CHANGES

WASHINGTON -- The Internal Revenue Service is giving business travelers a choice on using new federal per diem rates for meals and lodging in the continental United States. They may continue to use the rates in effect since January until the end of 2000, or they may use the new rates that will become effective for government travelers on Oct. 1.

The General Services Administration is now making per diem rate changes effective at the beginning of the government's fiscal year, rather than at the start of the calendar year. GSA plans to announce the new rates on Sept. 1 and will make them available on its Web site at www.policyworks.gov/perdiem.

Employers may use the GSA rates as a guide in setting their own reimbursement rates for employees' travel. As long as the payments do not exceed the GSA rates, they are not taxable to employees.

Because the GSA rates vary by locality, and in some places by the time of the year, the IRS also offers a simplified "high-low" method for employers to use. A few dozen localities are identified as "high-cost" and the rest of the U.S. as "low-cost." The IRS also has special meal rates for workers in the transportation industry. The IRS plans to announce changes in these rates in September, also to be effective on Oct. 1.

Although taxpayers will have a choice of using either the old or the new rates for the last three months of this year, they cannot mix the two during this period. That is, they cannot use the old rates for one trip and then use the new rates for another trip during the October - December period. Also, those who used the "high-low" method or the transportation meal rates for the first nine months of 2000 cannot switch to the GSA rates for the last three months of the year.

The IRS has asked for comments on this and future per diem changes, in particular whether future rate changes should be effective on Oct. 1 or the following Jan. 1 for non-federal employers. Details are in Notice 2000-48, which will be published in Internal Revenue Bulletin 2000-37, dated September 11, 2000. Notice 2000-48 will also be available through the IRS Web site, www.irs.gov.

X X X